

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE OPERATIONS AND)
MANAGEMENT OF MOUNTAIN WATER DISTRICT) CASE NO. 96-126

O R D E R

By letter received March 27, 1996, Mountain Water District requested the Commission's assistance in conducting a financial review. Specifically, the district requests the Commission conduct a rate study to enable the district to achieve financial stability and provide economical and efficient service to its customers.

The Commission has also received a petition from the Concerned Citizens for Pike County, Inc. requesting the Commission conduct an investigation of the district including a full and comprehensive financial audit of the district's operations.

The Commission currently has pending before it Case No. 95-296¹ which is a complaint by the City of Pikeville to collect arrearages in charges for water purchased by the district since Pikeville's rate was increased in 1991. A hearing was conducted in that case on March 18-19, 1996. Testimony at the hearing indicated Mountain is expected to record a net loss for 1995 of (\$780,000).²

Based upon the foregoing the Commission finds that an investigation of Mountain's operations should be initiated. This

¹ Case No. 95-296, City of Pikeville v. Mountain Water District. The Commission has not yet entered a final Order in this case.

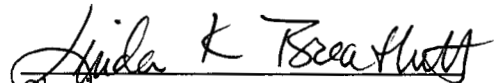
² Case No. 95-296, Transcript of Evidence, Vol. II at 103.

investigation will include but will not necessarily be limited to a review of financial reports previously filed with the Commission; a rate study and review of Mountain's current schedule of rates and charges; Mountain's ongoing leak detection and meter test programs; and a management audit of Mountain's current operations, the exact scope of which has yet to be determined.

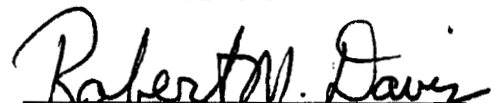
IT IS THEREFORE ORDERED that this proceeding is hereby initiated to conduct an investigation into the operations and management of Mountain Water District.

Done at Frankfort, Kentucky, this 2nd day of April, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director